

Allies Shun
Call Against
Lebanon

New York Times Service

WASHINGTON — The United States has failed to win any firm backing so far in its effort to enlist international support for closing down Beirut International Airport on the ground that it is a haven for terrorists, officials in the Reagan administration said.

The American plan has provoked a wave of protest in the Arab world and, on Friday, a delegation said to represent all Arab countries asked the State Department to reconsider the action. The Lebanese government, in a letter to the United Nations secretary-general, said the plan was "out of proportion" to the harm done by the hijacking.

Some State Department officials said the plan to "isolate" the airport, announced July 1, had been pushed through by the White House to show that the United States was going to take action in retaliation for the hijacking of a Trans World Airlines jet. The 39 remaining passengers and crew from the plane were freed June 30.

"The silence is deafening," a State Department official said about the response from the West European allies, whose support would be crucial for the U.S. plan to be effective.

Lebanon, meanwhile, called Saturday for a special meeting of Arab foreign ministers as part of its effort to counter the steps to isolate the airport.

An announcement by Fuad Turk, the undersecretary of foreign affairs, said President Amin Gemayel and Prime Minister Rashid Karameh had instructed him to request the meeting, under the auspices of the Arab League, as soon as possible. Mr. Turk said Karameh

(Continued on Page 2, Col. 2)

Stable Trend May Keep Craxi in Office

By Henry Tanner

International Herald Tribune

ROME — The possibility that Bettino Craxi may become the first postwar prime minister to serve a full five-year legislative period is being discussed more seriously by Italian politicians and foreign observers.

The dynamics of party politics appear to confirm that likelihood.

As tradition demands, Mr. Craxi offered his government's resigna-



Bettino Craxi

tion Thursday to Francesco Cossiga, the newly elected head of state. Mr. Cossiga rejected the offer because there has been no serious challenge to the government.

Moreover, the five parties in the government's coalition decided against a major cabinet shakeup. A few posts may change hands, but the party balance within the government is expected to remain basically unchanged.

The five parties — Christian Democrats, Socialists, Liberals, Republicans and Social Democrats — feared that an attempt to alter the government's balance would touch off a crisis that they might not be able to control, and their foremost interest now is continuity.

Mr. Craxi, a Socialist, therefore is certain to complete his second full year in office next month.

If he remains in office until November, which also now appears likely, he will become the longest-serving prime minister in the history of the Italian republic. Aldo

Moro, who served two years and three months before he was murdered by the Red Brigades in 1978, still holds the record.

In another effort to maintain continuity, the five government parties agreed last week to back Amintore Fanfani, a veteran Christian Democrat, to succeed Mr. Cossiga as president of the Senate. Mr. Cossiga is also a Christian Democrat.

Ciriaco De Mita, secretary of the Christian Democrats, had made a strong appeal in Mr. Fanfani's favor to his allies in the government, including Mr. Craxi. After a few days of hesitation they all agreed as they had no valid candidates of their own.

The opposition Communists, who already have the presidency of the lower chamber, and the neo-Fascists also have agreed to accept Mr. Fanfani.

The election of the Senate president Tuesday will be a replay of the swift, friction-free election of the president. It also will be a triumph for Mr. De Mita, who has used his party's power and his negotiating skills to avoid a political fight.

But the coming months will not be entirely peaceful.

Agreement within Mr. Craxi's cabinet does not extend to a basic economic policy, an area in which the prime minister has promised to work out a comprehensive new program.

The most crucial economic issues are also highly political, for Italy's inflation and unemployment are both unacceptable high. Both were singled out as key problems

to be replaced either by an alliance of the Christian Democrats and the Socialists or of all five parties represented in the national government.

The party expects Mr. Craxi to make that move to repay Mr. de Mita for backing him as prime minister.

When the Communists lost heavily in the May 12 municipal and regional elections, it was believed that the five governing parties would swiftly create their own local coalitions, excluding the Communists in cities where they had been key members of the local government. But negotiations have been dragging on in nearly every city.

The political mood nonetheless is one of unusual tranquility, and the prospects for long-range stability are seen as better than in many years.

The major newspapers have commented in editorials that the leading parties lack either the desire or the power to provoke a government crisis.

Mr. De Mita has said the Christian Democrats are not in a hurry to reclaim the prime minister's seat and are willing to go along with Mr. Craxi for the time being.

The Communists, still Italy's second most powerful party, are licking their wounds after two defeats, one in the regional and municipal elections and the other in the recent referendum on reforming the wage system. Preoccupied with an internal debate on future policy, they are not expected to make a major move soon.



UNDER THE HORN — Two men try to shield themselves from injury Sunday, first day of the annual running of the bulls in the streets of Pamplona, Spain. Two Spaniards were gored and suffered leg injuries.

Mengele's Son Selling TV, Book Rights, Sources Say

By James M. Markham

New York Times Service

TRABEN-TRARBACH, West Germany — Josef Mengele's son has preserved copyrights to many of his father's papers and is negotiating to sell them for almost \$500,000, according to sources close to the son.

Rolf Mengele, the 41-year-old son of the Nazi war criminal, last month gave a Munich-based weekly magazine about 30 pounds (13.5 kilos) of diaries, documents, and photographs chronicling his father's life in South America after World War II.

The editors of the magazine, Bunte, said that any profits from reselling its serialized account of Dr. Mengele's life would be given to survivors of the Auschwitz death camp where the Nazi doctor performed medical experiments on prisoners.

Although Bunte has magazine rights to the material, Mr. Mengele has kept the potentially lucrative book, film and television rights to the documents and photos, according to sources in Munich.

According to a source close to Mr. Mengele, a communications company has offered somewhat less than \$500,000 for the package.

The informant declined to name the company, but said that negotiations were close to completion in Brazil.

Announcing last month that Bunte had access to the material, Norbert Sakowski, deputy editor in chief of the magazine, portrayed the Mr. Mengele as being moved by his conscience to remove the burden of the story of his father's life.

The editor said that Mr. Mengele had made the documents available without asking for remuneration.

"His motive," the editor said in an interview, "was that he was burdened by the heritage of his father. He felt that if all of the details were published someday, or very soon, it would be all over."

Others who have spoken with Mr. Mengele say he has been seeking to parlay the Mengele papers into a best-selling book and movie. Herbert Baumert, a free-lance journalist from West Berlin, had reportedly been collaborating with him on a possible book project.

Mr. Mengele, an attorney, has largely disappeared from public view since Bunte announced June 14 that it had some Mengele papers.

Several people who have dealt with Mr. Mengele at Bunte say that

his attitude toward his father remains profoundly ambivalent, a mixture of lingering filial loyalty and horror at accounts of his father's crimes. Mr. Mengele has told Bunte that he met his father only twice in his lifetime, the last time in Brazil in 1977.

At that time, according to a Bunte source, Mr. Mengele asked his father about his role in selecting prisoners for the Auschwitz gas chambers and performing experiments on others.

The father is said to have denied that he conducted experiments on living prisoners but acknowledged to his son that he chose many doomed to die.

In a West German television interview last month, Mr. Mengele reflected his apparent ambivalence toward his father by speaking several times of what he called "the accusations" against Dr. Mengele.

He is said to have denied that he conducted experiments on living prisoners but acknowledged to his son that he chose many doomed to die.

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he said he was not aware of any attempt by Rolf Mengele to exploit the material.

"Frankly, I don't care what he is doing," Mr. Sakowski said. "We have finished our series and we have finished our dealings with him."

A third article in what Mr. Sakowski said is to be a five-part Mengele series appeared in Bunte last week. Mr. Sakowski said the next two had already been written.

Mr. Sakowski denied rumors that Mr. Mengele had been paid a large fee for working with Bunte on the articles. He said Mr. Mengele's hotel costs in Munich had been covered.

Mr. Sakowski said that Bunte GmbH, the publishing company that owns Bunte, had not determined which Jewish organization should distribute the company's profits from the series.

■ Forensic Team's Report

A Brazilian forensic team says in its final report that a skeleton buried in a cemetery near São Paulo is most likely Dr. Mengele's. The Associated Press reported from São Paulo.

Police believe Dr. Mengele died Feb. 7, 1979, while swimming at Bertioga Beach, about 47 miles (76 kilometers) from São Paulo.

According to testimony from witnesses, Dr. Mengele's body was buried the next day under the name of Wolfgang Gerhard in the town of Embu, 17 miles from São Paulo.

Police said Wolfram and Lisette Bossert, an Austrian-born couple who sheltered Dr. Mengele under an assumed name from 1975 until his drowning, would be arraigned Monday on two criminal counts, one for harboring a person who is using a false identity and the other for using false identification documents.

Each charge carries a sentence of one to five years.

Pope to Write Weekly Column For Newspapers

LONDON — Pope John Paul II is to become a syndicated newspaper columnist, it was announced Sunday.

Rupert Murdoch, the Australian publisher, has signed up the pope to write a weekly column for hundreds of newspapers around the world, according to Arthur Britten, a Murdoch spokesman.

He did not say when the column would start.

"I don't know if it is going to be paid," Mr. Britten said. "If he is, I would imagine it would be in the form of a contribution to church funds."

Mr. Britten said he doubted that the pope's column would be heavily edited by Mr. Murdoch's editors or the other papers that buy it.

"I think it will be of such enormous value that people will want the original thing, word for word," he said, smiling weakly.

Now that Mengele's death has been authenticated, what did Mr. Heidemann think about the Mengele diaries now being serialized in the Munich magazine Bunte? "I have no doubt they are authentic," he said, smiling weakly.

He did not accuse Mr. Fischer and senior Stern editors of being aware that the diaries were fabrications. Rather, he conceded, the issue of authenticity did not matter.

Heiner Bremer, an editor at Stern, in response, said: "We know that we made embarrassing mistakes, but to conclude that that was a plot is just dumb."

Mr. Heidemann has had regrets.

He recalled, referring to Hans-Ulrich Rudel, the German fighter ace and Hitler apologist, "and he told me that Mengele had died in Brazil a few years earlier. I didn't believe him."

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AMERICAN TOPICS

Yellowstone Park:
Last U.S. Ecosystem

After the Grant administration and congress founded Yellowstone National Park in Wyoming and Idaho in 1872, the concept of national parks spread rapidly throughout the United States and around the world. But environmentalists now say that the Yellowstone idea was not ambitious enough. The Washington Post reports.

"Congress' saved about two million acres [800,000 hectares]," says Bob Anderson of the Greater Yellowstone Coalition, a union of 40 environmental groups. "But the whole ecosystem, the biological and geological unit, extends more than six million acres."

Naturalists say that because of human encroachments, only three complete ecosystems on earth are still largely intact: the Arctic, the Antarctic and Yellowstone. Environmentalists have been working for years to win legal protection for the entire ecosystem, with little success.

But they have acquired a couple of powerful allies: Robert D. Barboza, the Yellowstone Park superintendent, who says the present boundaries "do not encompass a complete ecological unit"; and even more significantly, William Penn Mott, who ran the California park system under Governor Ronald Reagan and has just been named by Mr. Reagan as chief of the National Park Service.

On a recent visit to Yellowstone, Mr. Mott said he would work hard "to create a legal buffer zone around the park that represents the entire ecosystem."

Short Takes

The Environmental Protection Agency has modified its formula for measuring automobile fuel efficiency. Agency officials said this probably would bring all U.S. manufacturers into compliance with the law. This is expected

ed to save General Motors and Ford more than \$200 million in taxes they might otherwise have paid because the average fuel consumption of all their cars exceeded the old standards.

Notes About People

Geraldine A. Ferraro, the 1984 Democratic nominee for vice president, has hired a poll-taker to help her decide whether to seek the nomination for the Senate from New York next year and challenge Senator Alfonse M. D'Amato's bid for re-election. A New York Daily News poll in late May showed Mrs. Ferraro trailing Mr. D'Amato 35 to 43 percent but easily defeating likely primary opponents. However, 36 percent of those interviewed had an unfavorable opinion of Mrs. Ferraro as against 50 percent with a favorable opinion. The New York Times called this "a large negative."

Frank Sinatra has ended his self-imposed exile from Atlantic City. During a 1983 visit he demanded that a blackjack dealer deal from her hand rather than from a plastic container, a violation of New Jersey law. New Jersey's casino commissioner, Joel R. Jacobson, then described the singer as "an obnoxious bully." But after Mr. Jacobson criticized a "Doonesbury" comic strip satirizing the incident, Mr. Sinatra said through a spokeswoman that he would be returning probably in the fall.

Claudette Colbert, who is co-starring on Broadway with Rex Harrison in Frederick Lonsdale's "Aren't We All?" says she is 81 and has never made a secret of her age. Mr. Harrison is 77. Miss Colbert says: "The only time I ever felt age happening was when I hit 40. I suddenly had a funny feeling. Fifty didn't bother me, and 60 bothered me even less, and then I got to the point where I was rather pleased with my age."

—Compiled by ARTHUR HIGGINS

Robbery Attempt and Fatal Gunshot:

The Shattered Destinies of 2 Brothers

(Continued from Page 1) about 15 black youths in a student body of 335. At Westminster, Jonah moved into a world of tennis and squash courts, coat-and-tie dinners, classes on Saturdays, chapel four times a week and teachers referred to as masters. And he adjusted well, school officials now recall.

He seemed to make the transition from Hartlepool to the more affluent setting here very easily." Said August Ganzenmuller, the school's director of admissions. Mr. Ganzenmuller said Jonah ranked in the middle of his class academically.

"In a predominantly white school, some of the black students feel resentment or bitterness, but Jonah wasn't that way at all," said Gretchen L. Peterson, who shared a mailbox with him and ran with him on the track team.

"He was never bitter. He was always laughing about stuff," Miss Peterson said. "One day he got all this mail from Yale and Princeton and I joked with him. I said, 'Hey, Jonah, I didn't know you were smart.' He said, laughing, 'No, I'm just black.'"

W. Thompson Prewitt, who as Westminster's head of drama directed Jonah in "Guys and Dolls" and "The Madwoman of Chaillot," sometimes gave Jonah rides to New York from the school and they talked over many things. According to Mr. Prewitt, Jonah said that had it not been for his mother, he would never have got out of Hartlepool, where he said most of his friends "were either involved in drugs or had some brush with the law."

Mr. Prewitt said Jonah spoke fondly of his younger brother, Edmund. "He really admired Ed. He perceived Ed as having more discipline."

In 1980, when Jonah was still new to Westminster, Mr. Plummer at Wadleigh supported Edmund's application to ABC, saying that Jonah "serves as an inspiration" to his brother.

Edmund, Mr. Plummer wrote, was not only a superior student with reading and mathematics achievement five years above his grade level, but he also was a "future leader." Edmund himself told ABC that he wanted to become a doctor and was building model ships and airplanes "because a doctor needs a steady hand."

Edmund was pleased to be accepted at the 200-year-old Phillips Exeter Academy in Exeter, New Hampshire, where he was one of about 60 black youths in the student body of just under 1,000.

With its seminar-style teaching, extensive library, its ivy-covered Colonial-era buildings and spacious playing fields, Exeter is the embodiment of an American ideal in boarding-school education. Stephen G. Kurz, its headmaster, once described Exeter as "an escapist school — you get on the escapist school and you get to work."

Edmund got on the academic escalator in the fall of 1981, and over the course of four years, main-

Eddie told my peers to never commit a murder or rob or something because it was morally wrong and a disgrace to the black community."

Lamont O'Neill
a classmate

Edmund seemed buoyed in his senior year by his increasingly warm relationship with his brother, Jonah, with whom there had been some rivalry — "Eddie smart and Jonah cool" as a friend, Kenneth Marshall put it. Jonah had just graduated from Westminster and Edmund was now walking around the Exeter campus in his brother's black nylon Westminster jacket.

Although Edmund had talked for several years about attending Stanford, he also applied and was admitted to Yale University, the University of Pennsylvania and the University of California at Berkeley. Admission officials at Berkeley thought so well of him that they waived the requirement that he write an essay.

Edmund graduated from Exeter on June 2. His yearbook page reflected both his appreciation of the school and the disenchantment with it. "It's a pity," he wrote, "that we part on less than a friendly basis, but we do. Work to adjust yourself to a changing world, as will I."

On the evening of June 12, Edmund and Jonah were observed playing basketball on the cement court at Wadleigh Junior High. According to an account assembled by law-enforcement authorities, the two youths bet on who would win, with the loser taking the winner to a movie. But neither Jonah nor Edmund turned out to have any money, by his account, and around 9 P.M. the youths set out in the direction of MorningSide Park to "rip off" somebody.

At that hour, on the western side of the park, Mr. Van Houten took up his duties as a member of an anti-crime patrol that hoped to catch the persons responsible for a rash of larcenies from the parked cars of doctors at St. Luke's Hospital.

Sometime between 9 and 9:30 P.M., according to the police, Mr.

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INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

Gromyko Moves Upstairs

Fire your veteran foreign minister precisely as you announce your first summit? That is what Mikhail Gorbachev did last Tuesday, with scarcely concealed disdain, to Andrei Gromyko, Stalin's wartime ambassador to Washington and later Soviet foreign minister for 28 years. The party leader relieved the world's most experienced high-level diplomat of his line position, kicking him upstairs with faint praise — his policy contribution was described as "considerable" — to become head of state — a chair he will presumably keep warm for Mr. Gorbachev himself. He replaced him with the former party leader and top cop of Georgia, Eduard Shevardnadze, who, although he is no doubt a tough operator and an organization man in the Gorbachev mold, appears to have about as much familiarity with foreign affairs as with brain surgery.

It is a bold step for a new party chief, with only modest experience in security affairs, to oust the old pro of diplomacy and replace him with someone substantially less well prepared than himself. It is a striking signal of Mr. Gorbachev's self-confidence and of the consolidation of his personal power. A day earlier he had removed from the party's inner circle an evident key rival, Grigori Romanov.

Beyond that, the move announces the assertiveness of a new leadership generation and an intent to establish both tight control over a crucial policy area and the dominance of party generalists in the Gorbachev-Shevardnadze

— THE WASHINGTON POST.

Spies, Secrets, Superiority

U.S. military secrets are poorly protected. The amateur spy ring allegedly run by John Walker is said to have operated for 20 years, but was detected only when his wife decided to turn him in. The leakage may have shifted the balance of the critical strategic tussle in which the U.S. and Soviet navies strive to detect each other's missile-carrying submarines.

The Walker story is not unique. More Americans are on trial for espionage than ever before. A Northrop employee is accused of selling to the Soviets radar technology for \$25,000. A former army cryptographer sold what he knew for \$131,000. A Hughes Aircraft employee traded information on radar systems for \$10,000. What is the remedy?

Most of the ideas floating around Washington seem dubious. The House wants to restore the death penalty for spies in the armed forces and to use more lie detector tests. But death is a barbaric penalty and lie detectors are little better than witchcraft. President Reagan advocates reducing the number of Soviet intelligence agents in America, as if driving accredited intelligence agents underground would make them easier to catch. The real solutions lie deeper.

Since security clearances are performed without charge, agencies and contractors request them in excess. The checkers are overburdened, and precautions are laxly supervised. According to an internal Pentagon study, spying on 14,000 private contractors to the military is so easy that "a supermarket employee may encounter far more difficulty stealing a loaf of bread."

The first step should be reducing the excess

— THE NEW YORK TIMES.

Other Opinion

Gorbachev Shifts an Iceberg

The vacant presidency gave Mikhail Gorbachev the chance to move one of the most awesome icebergs of the Soviet world. Andrei Gromyko's retirement from the Foreign Ministry he has dominated for a quarter century must eventually affect the substance as well as the style of Soviet diplomacy.

It could be — we may never know the truth of this — that he accepted the move without hesitation. To be president is an honor he would not have dreamed of a few years ago. He has been taking things a little easier in recent years. Even icebergs get old. Stories that he has found it hard keeping up with Mr. Gorbachev's pace are not beyond belief.

Soviet diplomats will have a very different model in Eduard Shevardnadze. Georgia has been one of the least icebound parts of the country, making a specialty of small-scale economic and administrative experiments.

Turning Mr. Gromyko into president and appointing a new foreign minister do not on their own signal a new foreign policy. Combined, though, with Mr. Gorbachev's plans for the country's problems at home, they almost certainly do. Mr. Gorbachev has launched the idea of "civilized relations" between world powers, and Soviet foreign policy experts have begun to discuss what that might mean.

— Mark Frankland, *The Observer* (London).

Routine Sniping at Greece

The Reagan administration has gone in for a routine denigration of the government of Andreas Papandreou — convincingly re-elected last month — and has made Greece a scapegoat for its own failures in foreign policy. Attacks on the vulnerable Greek economy, and rancorous insinuations about the prime minister, will be seen in Athens for what they are: high-handed interference in internal affairs, and unattractive nostalgia for the days when Greece did as Washington told it to.

— Christopher Hitchens, *Washington columnist for The Nation*, writing in *The New York Times*.

FROM OUR JULY 8 PAGES, 75 AND 50 YEARS AGO

1910: Russians, Japanese Sign Pact
ST. PETERSBURG — According to the "Novoye Vremya," the substance of the Russo-Japanese Convention (signed on July 4) is that Russia and Japan agree to cooperate in the working of their railways in Manchuria and to refrain from rivalry. Both Powers agreed to maintain the "status quo" in Manchuria. "Novoye Vremya" states that it was U.S. Secretary of State Philander Chase's proposal which brought the negotiations to a head, and the suggestion is made that Japan was only induced to abandon her dreams of further aggression in the Russian sphere of influence in the Far East by the sudden development of a United States forward policy in China.

1935: Germany Stiffens Penal Code
BERLIN — Heavy penalties for "army dodgers" and those assisting them are prescribed in a revised penal code published [on July 7], which comes into force on Sept. 1. Conscripts leaving the country are liable to six months imprisonment, while anyone aiding their flight or helping the conscript to join a foreign army is liable to ten years' imprisonment. Persons who willfully damage public communications, including railways, air services and shipping, are liable to sentence of death or life imprisonment. Anyone ridiculing the Nazi party, its emblems or symbols is liable to a term of imprisonment. The penalties for homosexual offenses have been increased.

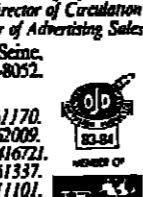
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Some Spies Can Fool Themselves, Too

By Amos Perlmutter

WASHINGTON — The more one learns about the Walker family, the more one is mystified by this network of seamen charged with selling military secrets to the Soviets. What could motivate people to live such dangerous lives, risk life imprisonment and betray their country? Surely, in today's world — and in the Walker case in particular — ideology is unlikely to play much of a role in pushing Americans to spy for Moscow. Almost no one in the 1980s seriously admires the Soviet political system. The Walkers and their partners were neither ideologues nor true believers.

Money would seem to be the obvious motive. To people like the Walkers, spying undoubtedly has much the same appeal as big-time gambling — the hope of instant affluence without years of toil. But money, in and of itself, would not be enough to explain the espionage of a man like John A. Walker Jr., the alleged mastermind of the group, who professes to be dedicated to the conservative principles of Ronald Reagan's America.

It seems much more likely that he would have been drawn to the romantic image of the superspy, perhaps from a desperate need for drama and secrecy, and even the sinister life, as some people are drawn to unusual sexual practices. Spying is a form of theater. To become a spy is to take on a role

that would often be impossible in normal circumstances. In real life John Walker was an obscure seaman, without accomplishments or distinction. As a spy he would have begun to lead an altogether different life, in his mind at least, a glamorous and dramatic one.

The danger for all spies, but especially those who crave a spectacular double life, is that they come to believe in the roles they play and lose sight of their self-interest. Consider the case of Eli Cohen, another of the countless modern spies motivated by glory and excitement.

Mr. Cohen's life changed forever in 1955 when the Israelis invaded Port Said and freed him along with hundreds of other Egyptian Jews. The invasion inflamed his patriotism and led him to ask the Israelis to make him a spy. After some hectoring on his part, the Mossad gave in and trained him in Syrian Arabic and the manners of the Damascus upper class — trained him, in effect, to become a Syrian.

After two years he was sent to Buenos Aires to play the scion of a Syrian landowning family. He ingratiated himself into the Arab community there. Once his "credentials" were intact, he emigrated to Syria. In Damascus he set himself up in a plush apartment across

the street from the Syrian high command and began hobnobbing with young Ba'ath officers. Among his friends was Colonel Amjad Hafiz, soon to become dictator of Syria.

Finally entrenched, with friends in high places, Eli Cohen proved invaluable to the elite. Among other things, he sent the Mossad detailed descriptions and photos of the Golani Heights, data of critical importance in the Six Day War.

But before long he seemed to lose

track of who he really was. In the mid-1960s the Mossad became suspicious and warned him to stop communicating, but he could not give up his role. Eventually the Syrians caught him. Shortly thereafter he was hanged — an obscure Egyptian Jew playing out a double life as an Israeli spy and Syrian playboy. He ended up believing in both roles, and it was his undoing.

What about John Walker? How else to explain the contradiction between belonging to the Ku Klux Klan and the charges of trafficking with Moscow? How else to explain his inept detective business or to reconcile his apparent patriotism with his alleged betrayal of his country? Perhaps he simply needed the excitement of the role.

The writer, a professor of political science at American University in Washington, contributed this column to The New York Times.

This does not mean that the New People's Army, the armed wing of the Communist Party, is diluting its military activities. On the contrary, its units are currently operating in 63 of the country's 73 provinces, often in battalion-scale actions.

Experts estimate that there are about 12,000 guerrillas in the New People's Army. More important than their number is the backing of some 5 million people who give them with money, food and intelligence.

Unlike the Communist-led Hukbahan movement, which flourished on Luzon in the 1950s, the present guerrillas are strong almost everywhere. They have even made deals in several spots with rich landowners.

The Communists regularly collect taxes from big sugar and coconut plantations, which pay up rather than tempt trouble. The guerrillas frequently examine a company's ledger, imposing reasonable taxes that will not affect its profits. "After all," a plantation manager told me, "they realize that their reputation will suffer if we go bankrupt and people in the area are put out of work."

The 250,000-man Philippine army is well equipped and is deployed throughout the archipelago. But as has been noted time and again, it probably does more to help the Communists than to help them.

Mr. Marcos, who has quadrupled the size of the army since he took power 20 years ago, has staffed its upper echelons with officers whose loyalty to him outweighs their competence. Corruption is commonplace, and indirectly aids the Communists.

Of all the nations of Southeast Asia, the Philippines is the one that should have been most successful. Half a century of American colonial tutelage, although by no means perfect, nevertheless encouraged the development of an educated, skilled and enterprising population.

But of all the nations of the region, apart from the Communist states of Indochina, no country is more depressing than the Philippines. The Marcos regime is at the heart of the problem, and conditions will worsen as long as it lasts.

Many otherwise sensible Filipinos are somehow convinced that collaboration with the Communists is the answer to their woes. They fail to realize that they will be going from the frying pan into the fire.

Tribune and Register Syndicate.

Who Says The Bomb Is Useless?

By Tom Wicker

GENEVA — When the use of nuclear weapons was described as "suicidal" during a recent international colloquium in Geneva on nuclear and proliferation, a journalist inquired: "Do you mean to suggest that if Iran or Iraq had a nuclear weapon, they would not use it against the other?" This question produced an unclear answer but a sobering realization for one listener, that the widespread belief in the West, and probably in the Soviet Union, that nuclear weapons have no military utility may not be applicable to a regional conflict.

It would be suicidal for either of the superpowers to attack the other with these weapons, owing to the certainty of retaliation in kind. That is why it probably will not happen, unless by accident. But such retaliation might be less certain, or less threatening, in other situations.

At the three-day conference sponsored by the private Group de Belgrave, it was commonly assumed and openly stated that Pakistan would soon have nuclear weapons. Prince Minister Rajiv Gandhi of India, some of those attending said, is convinced that Pakistan already has them. India had a "peaceful" nuclear test in 1974 and presumably could soon counter with its own nuclear weapons.

But suppose, as one "scenario" heard in Geneva suggested, that Mr. Gandhi ordered a pre-emptive, non-nuclear strike on Pakistan's nuclear facility at Kahuta, south of Islamabad. If it was not totally successful — and air strikes seldom are — Pakistan's President Zia ul-Haq might order retaliation with a surviving nuclear weapon, in the belief that India did not yet have such weapons.

He might be proved wrong, but he could reasonably make that decision. Even if India launched a nuclear counterblow, the two nations might destroy each other with their limited arsenals. Whether such a conflict on the Indian subcontinent would lead to global nuclear holocaust is another matter; but any situation producing a first use of a nuclear weapon raises that terrifying possibility.

If either Iraq or Iran, in their desperate and exceptionally bloody war, were somehow to obtain a nuclear weapon, there seems no reason to doubt that it would be used, on the assumption that the other side could not retaliate in kind. Given the importance of Gulf oil, the likelihood of triggering global nuclear war might be even greater than in the India-Pakistan "scenario."

In a notably candid speech, Crown Prince Hassan bin Talal of Jordan outlined two plausible possibilities for the use of nuclear weapons in the Middle East, where no "balance of terror" exists but Israel is commonly assumed to have such weapons or the ability to assemble them quickly.

Although there would be no advantage to Israel in a nuclear attack on their neighbors, another conventional Arab-Israeli war might do so and threaten Israel that it would have to consider "cutting short the conflict by nuclear means."

The deployment and use of increasingly sophisticated missiles of mass destruction" (presumably by Arabs) might "involve nuclear retaliation under intense internal political pressure" (presumably by Israel).

In either case, the danger of igniting a global conflagration would be extreme, with the Russians probably moving to support the Arab side and the United States backing Israel.

Prince Hassan, like numerous other speakers, also raised the specter of "nuclear terrorism" — what U.S. Vice President George Bush, in a brief appearance, called the "ultimate act of terrorism." Owing to the hostage drama in Beirut, much of the discussion centered on the possibility that terrorists might some day gain possession of miniaturized "backpack" or "suitcase" nuclear bombs.

The most sophisticated defense system is no protection against such a weapon smuggled into any city in the world," Prince Sadruddin Aga Khan of the Groupe de Belgrave pointed out. And this threat, Prime Minister Olof Palme of Sweden said, in his keynote address, increases the need to prevent nuclear proliferation among states. He and others saw the spread of nuclear weapons and materials as making it easier for terrorists to buy or steal them.

Both grim prospects — regional nuclear conflict and nuclear terrorism — were discussed here more as probabilities than as possibilities. And both undermined the complicity of those who, in concentrating on superpower competition and hostility, have comforted themselves with the belief that nuclear weapons are "suicidal," have no military purpose and therefore will never be used.

LETTERS

A Target Once Too Often

Regarding the opinion column "The Presidency Again: Time for Common Sense" (June 8) by William Hoffer:

The simple fact is that in 1981 Mr. Reagan was shot, and it hurt not only him but also his family and friends. Surely he can be spared criticism for taking whatever steps are reasonably practical to avoid a repetition.

DAVID BURNES, Sydney.

It Ain't Inevitably Safer

Thank you for the charming language article on U.S. and British pronunciation by that gifted music critic, Henry Pleasant ("It Ain't Necessarily B.C." June 24). I'm glad you sent William Safran on vacation. I am aware that you mean "on holiday."

CARL F. DUERR, Alderley Edge, England.

10 Says
Bomb
Isless?

Gandhi Urges Action on Terrorism

India Will Not Be Bullied by Airline Disaster, He Says



The Associated Press
Mr. Gandhi ending his news conference Sunday.

NEW DELHI — Prime Minister Rajiv Gandhi called Sunday for tough world action against terrorism.

"There is no way the Indian government is going to succumb to any pressure, whether terrorism or otherwise," he said.

Asked about the Air-India airliner that plummeted into the sea near Ireland on June 23, killing all 329 people aboard, Mr. Gandhi said India would not be bullied by "terrorists."

Two Sikh groups campaigning for a separate nation in Punjab state are reported to have claimed responsibility for placing a bomb on the flight from Montreal to Bombay, but authorities have not been able to determine if a bomb explosion was responsible for the crash.

"Canada was not being stern enough with the terrorists earlier, but after the plane crash we hope they will take stronger action," Mr. Gandhi said. "If governments stop helping terrorists then they will be finished."

During the 30-minute news conference — the first by an Indian prime minister televised live nationally — Mr. Gandhi discussed poverty, population growth, the Punjab crisis and unrest in Gujarat state.

Of India's relations with Pakistan, he said there were problems in signing a pact of nonaggression with Islamabad, but that India was in favor of a more comprehensive friendship treaty.

He ruled out mutual checks on nuclear facilities, saying they would "give an excuse for clandestine development."

He was optimistic on the Punjab crisis, saying tensions had eased.

Guinea Says Leader of Uprising Is in Custody

Reuters

CONAKRY, Guinea — President Lansana Conté of Guinea said Sunday that Diana Traoré, the former prime minister who led an attempt to overthrow him last week, was arrested Sunday.

The commander, Joaquin Villalobos, added in an interview Friday with a group of U.S. reporters that the rebels now considered the Reagan administration their principal enemy for having supported the Salvadoran Army and government.

He and other rebel commanders defended the killing of four U.S. Marines in a rebel attack in the capital June 19, and indicated that U.S. military personnel would continue to attack.

"Our strategy has to be based in defeating the resistance and the capacity of the Reagan administration to continue supplying the Salvadoran Army," Mr. Villalobos said. "If we succeed on this issue, we win the war."

Colonel Conté said 18 persons died and 229 were wounded in the takeover attempt Thursday night.

"I respect the rights of men, but those who are dead had the right to exist as well," Colonel Conté told thousands of Guineans who cheered him at the palace. He said that those who were killed "must be avenged."

Colonel Conté said Colonel Traoré had been turned by some of his accomplices in the coup attempt but he did not offer other details.

The government cut off the routes from Conakry, the capital, and closed Guinea's borders until the colonel was caught.

Colonel Conté said some former members of the regime of the late President Ahmed Sékou Touré could face execution.

Several important officials in Mr. Sékou Touré's administration and several of his relatives have been awaiting trial since Colonel Conté seized power in a coup in April 1984. Until now, Colonel Conté has ruled out executions.

Colonel Traoré attempted the coup Thursday while Colonel Conté was at a meeting of West African leaders in Togo. Colonel Traoré took control of Conakry's radio station and announced he had assumed power. But by early Friday morning the plotters had been overpowered by troops loyal to Colonel Conté, who returned to Guinea later Friday.

Crowds destroyed two houses belonging to Colonel Traoré and attacked shops and houses belonging to members of his tribe, the Malinké. By Saturday, the streets were calm.

At least five present or former government ministers have been arrested since the takeover attempt, according to Mamadou Baldé, the minister for administrative reform.

He said they included the youth minister, Mamadi Bayo; the former industry minister, Mohammed Sako; the former energy minister, Kabassan Kéita, and the former minister of higher education, Sidi Kéita.

Lamine Kéita, permanent secretary to the government, and a number of other top officials were also detained, Mr. Baldé said.

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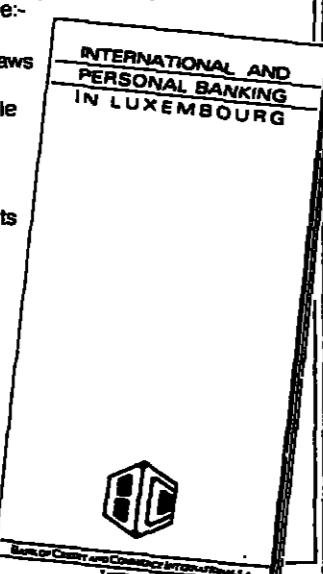
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COMMODITIES

Fast-Moving Commodity Pools Go for Big Gains

(Continued from Page 7)
matically in the past decade. Market volatility, though sometimes dramatic, has been more or less phlegmatic when compared with the 1970s. Prices are steady, and even potential catastrophes or international crises do not carry as much psychological weight as they once did.

The price of sugar in the 1970s, for instance, was over 65 cents a pound and sometimes moved as much as 3 cents a day. But now, notes Dinesh Desai, president of Desai & Co., a trading adviser located in Mountain View, California, a pound of sugar now costs 3 cents and has remained at that price for the past three months.

That has meant bad news for fundamentalists, or traders who base their buy-and-sell decisions on factors such as weather conditions or other forces likely to shape supply and demand.

In the 1970s, Charles Curran scored big gains on news about U.S.-Soviet wheat deals. But his best effort since came two years ago when corn and soybean prices jumped on the news of a devastating drought. Mr. Curran also jumped — heavily — and emerged with a 60-percent payoff in one month. But now, because of a lack of sustained trends, Mr. Curran concedes he is doing "moderately poor" this year managing \$10 million.

Individually, however, some trading advisers have kept blooming. Topping the list is William A. Dunn, the Florida-based president of Dunn Commodities Inc., who currently manages about \$60 million and has generated a 66-percent gain in one managed pool during the past year.

"We take a conservative approach, and time has proved we're right," said Mr. Dunn, a physicist who has been following commodities markets for 14 years. "When the inevitable disappointment comes, it doesn't destroy us. And when we're successful, we're rewarded."

Like many in the industry, Richard Levin, president of New Jersey-based Orion Inc., describes himself as a technician who deter-

mines future commodity prices on the basis of price movements, rather than commodity supply and demand. "I've never seen a soybean," he says.

Orion has successfully used the technique to generate an 88.2-percent return between 1980 and 1984. And to prove the firm hasn't lost its touch, Orion started another privately managed pool, Orion Partners, last December, which gained 46.3 percent through the end of May.

Two of the hottest traders and pool managers at the moment are considered to be Tom Willis and Robert Jenkins, both 35 years old. The two Chicagoans began a private pool called "Floor Traders" Futures Fund I in June 1982 that generated a 292-percent return through May, including a more than 30-percent gain for the first five months of this year. That means that an original unit with a \$985 net value is now worth \$3,860.

The secret, says Mr. Willis, is to be conservative. That tendency, he says, has grown out of 10 years' pit trading experience, and from knowing enough to keep a large position in liquid, interest-bearing securities.

"I have to keep a large chunk there to give me a mental massage," says Mr. Willis, describing his personal portfolio, which reportedly is worth some \$2 million. "There's a part of every trader who's waiting for the shoe to drop. My portfolio is so conservative I could give it to a money manager and he could get me two more points."

Mr. Willis and Mr. Jenkins have a bearish reputation for going short. But if gold is going up and soybeans down, then Willis Jenkins Inc. would probably sell the weakness and buy the strength. The trading philosophy has earned significant converts in the commodities industry: 50 percent of the \$35 million Willis-Jenkins Inc. currently manages is from other traders.

The most outspoken advocate of trading commodities is also the industry's patriarch, Richard Donchian. A financial consultant

with Shearson Lehman/American Express in Greenwich, Connecticut, Mr. Donchian started the first commodities fund in 1948. Today, at 79, Mr. Donchian manages two public funds as well as \$12 million in private accounts. For the past five months, he says, these have posted gains of between 15 percent and 22 percent following two

years of losses and minor gains.

Mr. Donchian recognizes that the industry needs higher inflation to generate the 323-percent gains his clients enjoyed back in 1974. For the time being, however, he recommends holding a commodity account as a hedge against what happens in the economy. "If we get another round of inflation,

then commodities will do better than anything else," he says, adding that a well-managed commodity pool can be less risky than a stock fund.

What do other trading advisers predict for the near-term? Some, like Mr. Donchian, see inflation creeping higher toward the end of 1985, rewarding investors with

more market volatility. Others, like Mr. Levin, admit they can only tell investors what they can lose, not what they will win. But perhaps the sagest advice is offered by those who track the industry itself. "Never prophesy, especially about the future," says Mr. Baratz, sealing a line from Samuel Goldwyn.

FUNDS

Equity Funds Lagged the Major Market Indexes in Quarter

By Nicholas D. Kristof

New York

RISING the new highs regularly set by the stock market in the last three months, mutual funds gained an average of 5.94 percent in the second quarter. This was the eighth consecutive quarter, however, that equity mutual funds, on average, did not do as well as the Standard & Poor's 500-stock index, according to A. Michael Lipper, president of Lipper Analytical Services in New York, which compiles performance figures for 841 mutual funds.

The equity funds, which exclude specialty funds or those with in-

vestments in bonds or foreign securities, averaged a return, including dividends and capital appreciation, of 6.07 percent. With dividends reinvested, the S&P 500 gained 7.35 percent in the period, while the Dow Jones industrial rose 6.64 percent.

The best performers over all — such as Twentieth Century Gift Trust, which gained nearly 22 percent in the period — frequently were small, relatively new funds. They tended to slum computers and semiconductor issues and include in their portfolios the kinds of stocks that benefit from falling interest rates.

"Among the best performers, you had funds in health, utilities and some financial stocks," Mr. Lipper said. "They tend to be specialized — these are not major market players — and although they're not tiny funds, they're not as large as some others."

Mr. Lipper noted that over the last 10 years, 56 percent of equity funds did better than the market averages, compared with 39 percent in the quarter just ended. He said that the number of funds beating the market averages has been improving in the last few quarters.

The best performing fund in the quarter, Twentieth Century Gift Trust, also illustrates the volatility of the rankings. In 1984 the fund, which is run by Twentieth Century Investors Inc., lost 14.3 percent of its value. Since the turn of the year, it has risen by 47.2 percent.

The fund has major holdings in small companies involved in broadcasting, medical services, waste disposal and specialty retailing. It is highly unusual, however, in that people invest in it by placing their money in irrevocable trusts, in which investments must be committed for a minimum of 10 years. Typically an adult buys a share for a child, or perhaps a charity. Neither the donor nor the beneficiary can touch the investment until a specified date at least a decade later. A no-load fund, it is actively managed.

Outside the equity-fund category, funds that invested in bonds and other fixed-income securities did well because of the substantial decline in interest rates last quarter. Not only did these funds maintain high interest rates, but they also benefited from rising securities prices.

The worst performers in the second quarter were funds that specialize in stocks of precious metals companies. Five of the bottom 10 were gold funds, and three more focused on silver, precious metals and natural resources. These kinds of stocks tend to be hedges against inflation and do poorly in periods such as last quarter, when a slowing economy suggests that a resurgence of inflation is not imminent.

The worst performing fund in the second quarter was 44 Wall Street, a New York fund that aims for capital gains. It declined 18.41 percent. It also was the worst performing fund for the first half of the year and for the last 12 months as well as for the last five years. Since June 30, 1980, the fund has lost 56.26 percent of its value, according to Lipper Analytical. At the end of March, the fund had assets of \$71.6 million.

The New York Times

Second-Quarter Mutual Fund Performance

Mutual funds that showed the largest percentage gains and declines in net assets, including dividends, for the second quarter of 1985.

Fund	Investment strategy	Percent change from previous quarter	Percent change from year ago
BEST PERFORMERS			
Twentieth Century Gift	Irrevocable trust fund	+21.8	+47.2
Fidelity Select Health Portfolio	Health stocks	+19.5	+56.2
New England Series Capital Growth	Growth fund	+17.6	+51.9
Loomis Sayles Capital	Growth fund	+16.4	+39.4
Standard Investment	Growth fund	+15.7	+20.3
Fidelity Select Financial	Regional bank stocks	+15.1	+56.9
Dreyfus Select Emerging Growth	Growth fund	+15.1	n.a.
Fidelity Overseas	International fund	+14.7	n.a.
Brace Fund	Growth fund	+14.3	+38.5
L.B.I. Stock Fund	Growth fund	+13.4	+32.7
WORST PERFORMERS			
44 Wall Street	Capital appreciation	-18.4	-43.1
First Investment Strategic Response	Natural resources	-16.7	-19.6
United Prospector	Gold fund	-12.9	-28.6
Strategic Investments	Gold fund	-12.6	-33.0
Strategic Capital Gains	Capital appreciation	-12.7	-4.4
United Services Gold Shares	Gold fund	-11.2	-20.4
Strategic Silver	Precious metals fund	-11.1	n.a.
D.G.A.A. Gold	Gold fund	-10.2	n.a.
Franklin Gold Fund	Gold fund	-10.1	-21.8
Hutton Investors Strategic Precious Metal	Precious metals fund	-9.9	n.a.

Source: Lipper Analytical Services

Funds Cash In on Europe's Rally

(Continued from Page 7)

A decline in the dollar, fund managers say the market rallies also reflect fundamental changes in Europe that will continue to underpin the markets.

Peter Watts, director of Hill Samuel's new offshore European Trust Fund, said there has been a growing realization among government leaders throughout Europe that private-sector profits, not heavy public expenditure, is more likely to achieve economic growth.

Michael Wrobel of Fidelity International Management Ltd. still sees many opportunities in the market. If interest rates edge lower, he believes financials will continue to move higher. He also notes that Europe has much to gain from lower oil prices. "The oil price hikes really crushed Europe as an oil user, but now, provided the cuts feed through, it will derive great benefit," he said.

Despite the upbeat attitude toward Europe at large, however, managers still prefer to weigh their portfolios heavily in favor of what they call the continental "Big Four" markets in Germany, France, the Netherlands and Switzerland.

Miss Hall says 60 percent of her fund is invested in Deutsche mark-related stocks in Germany, the Netherlands and Switzerland. But over the past three months, she has lifted the fund's stake in France to 20 percent from just over 16 percent.

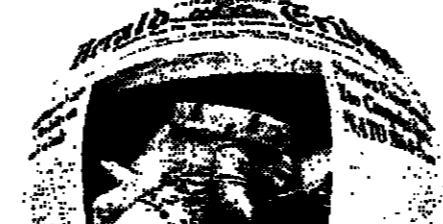
Nigel Ledeboer, of Save & Prosper Group Ltd., favors big capitalized stocks and has been shifting assets away from the secondary markets in Europe. Like others, he also has moved funds into the Big Four, withdrawing from Scandinavia, Italy and Spain. Save & Prosper's European Fund has cut its assets by 10 percent.

In contrast, Phillip Gray, chief investment manager of GT Unit Management Ltd., looks for small companies and has been paying close attention to Norway.

Despite the lethargic performance in London, some of the enthusiasm could spill over into British stocks. Britain is considered one of the international business of these European companies, and how good their track record has been.



The Global Newspaper.



PROFILE

Jan Voûte: Making the Most of Trends

By Edward Rohrbach

A S A TOP decision-maker at Robeco Group, the \$4-billion Dutch mutual fund that is the largest outside of the United States, Jan R. Voûte has little trouble winning the attention of investors. "With the amount of commissions Robeco generates, brokers would crawl on their bellies to get his business — even if he never made them," one commented. Mr. Voûte, who spent eight years as director of Robeco's North American equity investments, is widely viewed as the top money manager in Europe to cultivate.

"Tough" was the descriptive term mentioned unanimously by brokers in Europe and the U.S. who have dealt with Mr. Voûte, who now is managing director of Robeco's \$700-million capital-management affiliate, Rotrusco.

"Yes, he's a very tough customer," said another top European money manager. "He's very Dutch."

"He's a little spoiled, too," added a Dutch broker. "Every firm put their best man on Jan Robeco's plumb. He's always been in touch with the very best people in America and Europe. They all rate him very high. He's top notch."

One U.S. broker who has done business with Mr. Voûte over the years said he has "a very good feel for markets worldwide and is about as good at investing on Wall Street as any of the top Americans who manage funds." He added that the Dutchman's "tremendous strength is to invest aggressively when the opportunity presents itself."

Mr. Voûte admits to his reputation. "I can be a real pain," he said. "Heading the American desk, I deal with 35 brokers — many more if I wanted — and unless someone phoning had a good, new idea I'd cut them short. After a while my telephone didn't ring all the time."

Or, as a broker in London put it: "Jan is the last chap you call when you have nothing to say. And if you do have something to say, you'd better know all the ins and outs of what you're proposing."

Mr. Voûte tells the story of an American broker whose opening remark at a meeting in his Rotterdam office was to breezily ask, "What's Robeco?" He was shown the door.

But Mr. Voûte just turned 38, gets the tables turned on him at the remodeled farmhouse on the Rhine where he lives with his wife, Paula, and two teen-aged children. Mrs. Voûte has told her husband that he will too be shown the door anytime his weight gets over 100 kilos (about 220 pounds).

Mr. Voûte, who usually vacations with his family hiking or skiing in the Alps, said jokingly that his hobby is watching his wife garden. But a relative calls her the "driving force" in his life.

The two were married while he was still a student earning a bachelor of arts degree in economics at Rotterdam University. He took a part-time job at Robeco when he was 21, and worked his way up the hard way, although his grandmother was a Pierson, from the prestigious Amsterdam banking family, and his father a doctor.

Mr. Voûte's first big job at Robeco, monitoring the mutual fund's Canadian investments, came after only six months. His mother was a Canadian, and he credits his maternal grandmother, who lived to be 100, for being the

inspiration for his interest in investing. "The only stocks she owned were Canadian Pacific and Bell Canada, but she knew everything about those companies," he recalled.

Mr. Voûte, in contrast to the volatile markets he follows, described himself as "very stable — I've lived at only three addresses in my life."

At Robeco, where he was recently elevated to the level of deputy managing director, he is also known as a forceful advocate of his views. Last summer, for example, he argued strongly against the prevailing consensus that U.S. bank stocks were too risky because of the international debt crisis.

"It was just too widespread an opinion — in the press, in my own office," he said. "I had a gut feeling the fear was already in the stocks."

"I always feel most comfortable when I'm disagreeing with the mainstream opinion," he said, adding that the biggest mistake most investors make is "panicking in a bear market that is bottoming out — that's costly."

Not that Mr. Voûte has never been wrong himself. Like many Europeans and even Robeco, which was hedging its portfolio position, he shorted the dollar heavily in his personal account last year. "It lost me a lot of money," he admitted. He also confesses that he does better for Robeco and his family in the stock market than he does for himself.

"I guess it's because you can lie to yourself and not to others," he laughed. "Investing individuals, we tend to fall in love with stocks."

His strongest suit has been to spot long-term trends. For example, he caught the disinflation wave early, and has ridden it profitably on Wall Street.

"Although as a market theme it's five years old now, I

think disinflation has another 5 to 10 years to run," he said. "It will continue to make financial assets like stocks and bonds attractive."

In emphasizing this so-called top-down approach to investing, he admits to a weakness in picking stocks. "Stories about exciting companies don't interest me that much," he said. "I want to figure out, for example, where interest rates are heading over the longer term."

He says index futures are his favorite personal investment, because they allow him to play the general trend of the stock market. But for individuals who would rather purchase stocks outright, he recommends buying a package of 10 that reflect the overall market — "or buying a Robeco fund," he added.

He also singles out Dutch insurance stocks as a recommended investment. In the group, he mentions Aegon, Nationale-Nederlanden and Amvest.

Mr. Voûte described himself as "positive" about Wall Street, but he says that over the next 12 months European exchanges will offer "far more interesting opportunities, especially with the currency factor, from a total return point of view."

He is looking for the Dow average to climb 10 to 15 percent, lifting it to about 1,450. That is the percentage he thinks the dollar will decline over the coming year. "We are about to enter a period during which all rates in the U.S. will decline below 10 percent," he said.

But it is for only a "relatively short interlude" that Europe looks most attractive to him. "Long term we should go where the action is — the Far East," he asserted. "Apart from Japan, that includes Hong Kong and Singapore. And who knows five years from now — maybe the Shanghai Stock Exchange."

I always feel most comfortable when I'm disagreeing with the mainstream opinion.



Jan R. Voûte, overseer of Robeco Group's \$700-million Rotrusco affiliate.

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Another Gauge for Stocks

By Leonard Sloane

If you don't have sales, you don't have a business.'

Stock Letter. Low price-sales ratio "are not a sure sign a stock should be bought," he added, but they "can provide a happy hunting ground for further analysis."

Among the other factors that should also be considered in this analysis by users of price-sales ratio are a company's balance sheet, its market share, its management and its debt level. Professionals who utilize these ratios generally believe that they are necessary, but not necessarily sufficient.

Price-sales ratios are particularly effective when investigating companies without current earnings or ones that are growing rapidly. In general, large companies sell at lower price-sales ratios than small ones in the same industry and with similar prospects. And it is common to find that a company with a low price-earnings ratio will have a high price-sales ratio.

Whether the new gauge will eventually become as widely employed as price-earnings ratios remains to be seen. But small investors with a propensity for risk might think about the different ratio as a way to choose stocks that could, over the next three to five years, become much more valuable.

The New York Times

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CHART TALK

The 2d Quarter: Frankfurt and Milan Are Stars

After the blistering pace of the first three months, prices on the world's major stock exchanges rose at more modest rates in the second quarter. Two star performers were Milan, where share prices jumped 22 percent in the last three months, and West Germany, where they rose 21 percent. In both cases, the surge was partly the result of an infusion of U.S. money.

U.S. investors, both institutions and individuals, swarmed abroad this spring on the expectation that a falling dollar would swell the value of their foreign holdings. Although the dollar refused to tumble, neither did it rise. Thus, this was one of the few times recently when dollar-based investors did not see their gains erased by a rising U.S. currency.

In New York, where the Dow Jones industrial average gained 5.4 percent during the quarter, the mood tends toward cautious optimism amid signs that the U.S. economy may be picking up.

"Everything was packed into May," said Hugh A. Johnson, portfolio strategist at First Albany Corp., noting that April and May had seen little overall movement. "If there was a surprise, something that caught the financial markets off guard, it was how aggressive the Federal Reserve was in easing monetary policy," he said.

The easier monetary policy, which took the form of a cut in the discount rate and a strong expansion in the money supply, resulted in lower interest rates.

At the same time, many investors were alarmed at signs of weakness in the economy and the impact that might have on corporate profits. Thus, another sector that did well were the so-called "defensive stocks," such as food and drug companies.

Toronto, by far the biggest of Canada's five exchanges, set a record during the quarter and closed about 3.5 percent above its level at the beginning of the quarter. Weak commodity prices were the principal constraint; like the Australian and South African markets, Canada's dominant equities are in natural resources.

The modest performance there followed a tremendous first quarter, which in turn compensated for a dismal 1984.

As in New York, many of the best performers were utility and financial-services issues, which benefited from lower interest rates. Financial-services stocks jumped an average of 14 percent, while the utility sector rose 10.7 percent. On the other hand, resource issues tumbled. The metals group fell an average of 6.5 percent, gold stocks dropped 3 percent and oils plunged 9 percent.

Among the larger price changes, Dome Petroleum, after showing some signs of life before its recent equity issue, slid 15.5 percent. The company continues to shed non-essential businesses, and analysts are again recommending the stock. Dome, which has more than \$5 billion in debt, would benefit from any further declines in interest rates. But like all oil producers, it is vulnerable to falling petroleum prices, analysts say.

Gold mining companies generally declined, with one notable exception: The Lac Minerals Group announced that its four constituent companies would merge to create Canada's largest bullion producer, triggering some wild stock gains.

Among financial companies, Canadian Imperial Bank of Commerce had one of the best gains, rising 24 percent during the period. Once the lowest rated of major Canadian banks, Commerce is touted by analysts as a turnaround candidate. Loan losses are declining and the shares trade at a large discount from their breakup value.

Two closed-end funds set up in the first quarter, Growth Investment and Value Investment, had good gains. They invest in blue-chip Canadian stocks and will be liquidated in the early 1990s. Both are trading at substantial discounts from their net asset value, and some analysts say they are a good way to play the Canadian equity market.

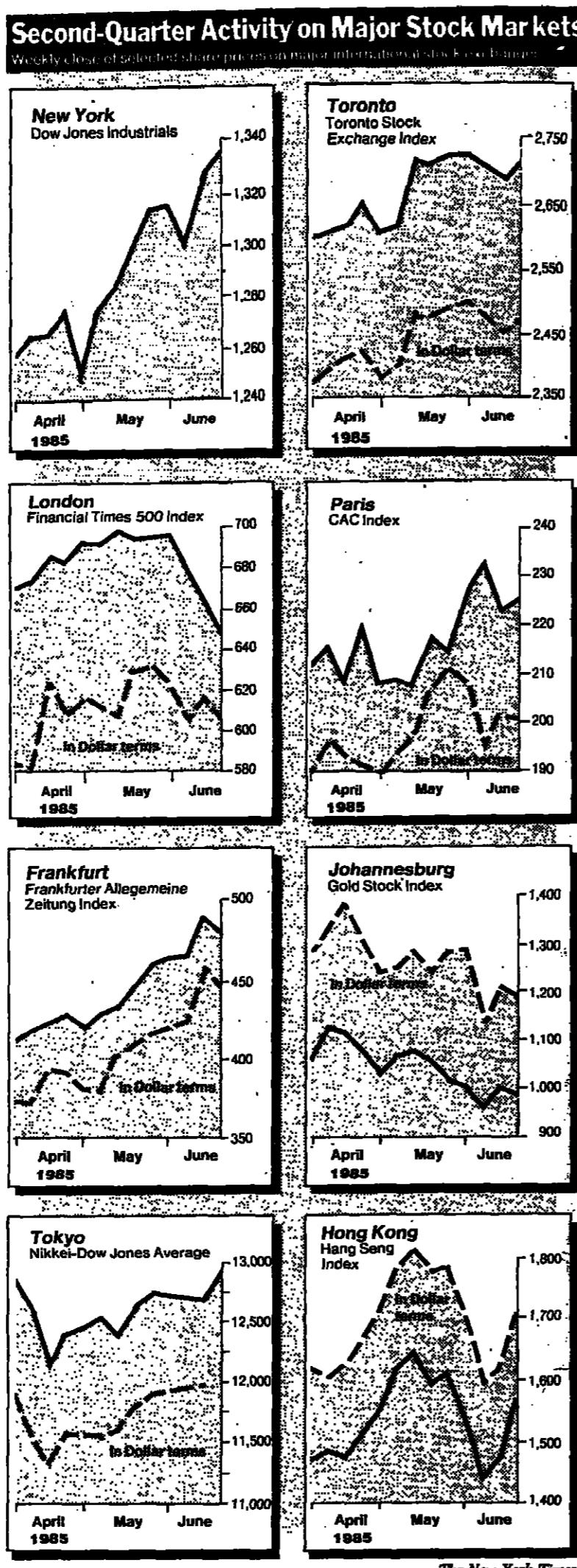
An excellent performance in the last three months, on top of an outstanding first quarter, suggests that 1985 will be another vintage year for the Paris Bourse.

The peak, which was reached on May 31, was almost a third higher than the year's low set at the beginning of January. Observers say some credit must be given to the new investment instruments developed by the bourse. These include Treasury mutual funds, share savings accounts that bring tax advantages to private investors, and participatory shares and investment certificates in nationalized companies, which give buyers a profit-related dividend but no voting rights.

In London, last year's lackluster performance continued. In the second quarter, it was the worst performer among the major markets around the world, losing about 3 percent of its value. The pound's rise was one reason for hesitancy in the market, analysts say. They worry that British exporters will find it more difficult to compete abroad with the more valuable pound, while their earnings in foreign currencies will translate into smaller sterling profits.

Another reason for the market's drop, which came in June after a small rise earlier in the quarter, was a delayed concern about the level of Britain's interest rates, which are about four percentage points higher than U.S. levels.

Amsterdam has slowed from its pace early in the year. Stock prices rose about 3.4 percent in the second quarter, and remain modestly below their 1985 peak. But analysts were cheered by first-quarter corporate profits, which grew an average of 30 percent, and they say that reduced labor pressures and a restructuring of Dutch industry should leave the market in a good position. That may not be true of some of the



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Sw. Fr. Dep.	SF 5,070	4.03
N. American	\$ 1,17	0.50
Japan	¥ 1,39	0.60
Pacific Basin	¥ 1,25	0.57
Intl. Growth	£ 1,15	0.40
British	£ 1,23	2.00
Swing Gtr.	£ 1,07	10.50
Intl. High Income	£ 1,02	11.00
Yen Conv. Fund	Yen 1377.00	3.20

*Prices as of 5/7/85.

Total return for 12 months ended May in local currency

Total return for 12 months ended May in dollar terms

Source: InterSec Research Corp., Stamford, Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

Continued from Page 7)

Continuing Confidence in June

Market Scoreboard

Stocks on the New York, London and Tokyo exchanges that showed the largest percentage gains and losses in June.

	Percent Gain	June 28 Price		Percent Loss	June 28 Price
New York Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars.					
American Hospital	30	41.00	Norlin	30	10.00
Sun Electric	24	11.13	Ideal Basic	24	11.63
CNA Corp.	23	21.28	Katy Industries	24	17.75
Wiesboldt Stores	23	11.50	Home Depot	20	13.25
Imperial Corp.	22	11.75	Cooper Tire	20	15.38
Dayco Corp.	22	18.85	Lear Petroleum	19	13.38
Cincinnati G&E	22	18.25	Philippe Dodge	18	17.00
Munsingwear	22	14.00	General Datacom	18	12.38
General Host	22	16.88	Armstrong Rubber	17	15.75
Harcourt Brace	21	68.88	Control Data	17	25.88

American Stock Exchange:

	Percent Gain	June 28 Price		Percent Loss	June 28 Price
American Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars.					
Downey SSI	55	23.00	Lynch Communication	30	24.38
Diamond Bathurst	41	24.75	Materials Research	23	11.75
Sterling Software	40	10.50	Alta Corp.	19	21.00
Western Health Plans	37	22.75	Bow Valley	19	10.25
Crowley, Milner & Co.	32	47.00	Crown Central	19	12.50

Over the Counter:

	Percent Gain	June 28 Price		Percent Loss	June 28 Price
Over the Counter:					
BankNorth Group	47	23.50	Paul Harris Stores	46	11.88
TRC Cos.	44	14.00	Western Tele-Commun	40	13.13
Instituform East	44	11.13	Merchants National	31	36.50
Possis Corp.	41	19.00	Mentor	28	13.50
Hyponex	40	11.00	Electro Catheter	21	18.25

London Stock Exchange:

	Percent Gain	June 28 Price		Percent Loss	June 28 Price
London Stock Exchange:					
Compiled by Capital International. Prices in pence.					
Schroders	9	823	BSR International	42	51
Midland Jones	8	217	Recal Electronics	24	144
Midland Bank	8	374	Thorn-EMI	23	357
Metel Box	8	446	Hanson Trust	22	180
Mercury Securities	5	423	Standard Telephone	21	134
Unigate	4	170	United Scientific	20	180
BAT Industries	4	316	English China Clays	19	218
Booker McConnell	3	288	Beecham Group	17	318
International Thomson	2	499	Lasmo	17	240
Distillers	2	296	Hepworth Ceramic	17	120

Tokyo Stock Exchange:

	Percent Gain	June 28 Price		Percent Loss	June 28 Price
Tokyo Stock Exchange:					
Compiled by Capital International. Prices in yen.					
Nichii					

THE BOURSES

Going Short: A Look at 2 Stocks Stalked by Bears

By John C. Boland

THE U.S. stock market's relative strength over the last year has pained short sellers, those speculators who sell borrowed stock hoping to buy it back later at a lower price and with a profit. As prices have risen, losses have widened for these bears.

Some of the "shorts" have scrambled to close out positions, while others have hung on doggedly, praying for a break in prices. But if prices stay firm, or head up, a classic squeeze may develop: As short sellers rush to close their losing and dangerous positions, their buying lifts prices, making escape even more costly.

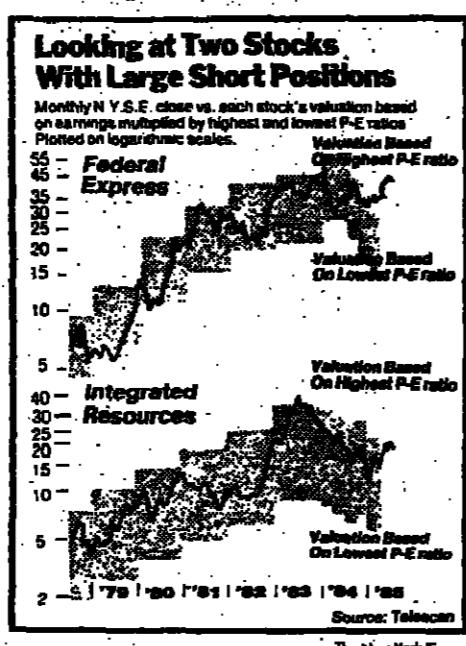
Indeed, that happened in the fall of 1978 in the gaming stocks. A squeeze on short sellers in Resorts International led to a spectacular blow off, driving the company's stock price from about \$20 to \$210 in only a few months.

Professional short sellers specialize in spotting a company's deteriorating finances or eroding margins. The real daredevils also look for "rigged" stocks, typically over-the-counter issues supported not by corporate fundamentals (there may none to speak of) but by one or more brokerage houses with pockets of discretionary money.

Among stocks on which there are strong bearish views now — backed by big short positions — are Federal Express and Integrated Resources.

The contest between bulls and bears on Federal Express has the potential for drama because the stock remains an institutional darling. But Federal's earnings, failing in the past year, would have smashed many a growth stock.

After years of steady gains, the package and document-carrier is on the verge of reporting its fourth straight quarter of lower profits. For the fiscal year through May 31, Federal Express probably cleared no more than \$1.35 a share, versus \$2.52 a year earlier. Yet the stock recently has been rivaling its 52-week high of \$45.375, more than 30-times earnings and almost 3-times its book value.



The recent price is not too far shy of the stock's 1983 record high of \$48.

The problems at Federal Express include lower margins in its basic express package business, rising competition and an expensive start-up of a Zap mail facsimile-transmission system.

James Chanos, an analyst with Deutsche Bank Capital, a New York subsidiary of the West German bank, is probably the best-known short seller of Federal. "We think Federal is a fine company," he said last week, "but the stock is ahead of itself given the problems. United Parcel Service will be a formidable competitor in the overnight letter business."

While UPS lacks Federal Express's advanced package-tracking capabilities, Mr. Chanos noted, the carrier already has a fleet of trucks and vans, the biggest hurdle to market entry.

As for Zap mail, Mr. Chanos argues that it is too early to know whether the on-site transmission service will succeed. "But they're sinking a lot of dollars into it, and it's getting to the point where it had better be a success."

But many fund managers and analysts accept the company's view that the growing pains with Zap mail and the lower profitability of the overnight express business will prove temporary.

"In the priority package market, Federal competes with Airborne, Emery and Purolator," noted Alfred H. Noring, an analyst at Kidder, Peabody & Co. "This part of the market is very service sensitive, and Federal has the standard with 10:30 A.M. delivery. Federal has a 70-percent market share, and it's increasing." While margins have shrunk, Mr. Noring agreed, much of that was due to heavy capital expenditures, which he believes have peaked.

With two major expansions behind it, according to bulls, Federal should begin reaping higher profits from the additional package volume it has picked up. Mr. Noring, for one, does not see margins returning to the 15-percent pretax levels of the late 1970's, but does expect recovery to the levels of two years ago. He is projecting a sharp earnings rebound, appearing in the latter part of the new fiscal year, which will lift Federal's net to \$3.25 a share in the fiscal year 1986 and \$4.50 in fiscal 1987.

The other favorite of the shorts, Integrated Resources, was trading last week around \$20, versus a 52-week peak of \$26.125, which was set in the spring, as Saul Steinberg's Reliance Financial Services announced a sizable position in Integrated. Nearly 12 percent of the common stock has been "shorted," some by investors who doubt the soundness of the diversified financial service company's earnings.

As a major seller of tax-sheltered real-estate partnerships, the company suffered under the 1984 Tax Act and stands to take another blow if the administration's 1985 tax proposals become law. Earnings slumped last year to \$2.84 a share from \$3.37, and management has warned that 1985 could see a still lower net. The first quarter brought a loss of 74 cents a share, versus a 13-cent loss a year earlier.

Then there are questions about the quality of

existing earnings. Integrated's reported income from real-estate transactions is not all cash, but rather an accounting entry that claims the present value of rental payments stretching years into the future. While that practice squares with accepted accounting rules, it does not make the earnings bankable.

Meanwhile, debt is heavy, and common stock earnings must come after preferred dividends that last year ate up \$40.6 million, or 69 percent, of Integrated's net income. Then, too, Integrated's 21 top officers last year collected \$18.6 million in salary, general partnership compensation and bonuses. That edged out the \$17.2 million available to common share earnings.

Mr. Steinberg may also have something to do with the stock's staying power. "The theory is that Saul Steinberg must see something," said a short-seller, who also asked not to be named. He added that Integrated recently bought a number of motels for syndication from another of Mr. Steinberg's companies. Integrated said the "two events were completely separate."

On the bullish side, the company has been buying in its common stock aggressively, shrinking its outstanding shares from 7.9 million at the end of 1983 to 5.5 million in March 1985. In 1984, it exchanged a straight preferred stock to retire 1.8 million shares of preferred that could be converted into common. Thus, if earnings stage a rebound, they will be figured against a much smaller base of common stock than in 1983.

Some short sellers question the quality of the real-estate assets backing \$620 million in contingent liabilities carried off Integrated's balance sheet. That sum, for guarantees on limited partnerships, is equivalent to more than \$112 a common share. The shorts say that a jolt in the real-estate market could be a severe blow. "The bearish on commercial real estate," said one short seller. "This is one way to short office buildings."

But Selig A. Zises, Integrated's chairman, countered: "Our asset quality is tremendous, probably as good as any company's." And Anne McDermott, who follows Integrated for Moody's, concurred: "The asset quality is very good."

The New York Times

A Strengthening Swiss Economy Underpins Zurich's Rally

By David Tinnin

AFTER more than a decade of relatively uninspired performance, the Zurich Stock Exchange appears to be shaking off its reputation as the world's dullest market. The Swiss Bank Corp. index of all Swiss shares closed at 499.1 on Friday, up almost 25 percent since the start of the year. And many analysts expect the index to step across the 500 mark this week.

The prolonged rally has already placed Zurich's performance far ahead of markets in New York, London and Tokyo, and has earned Swiss stocks a degree of attention in international investment circles that is usually reserved for equities traded on such medium-size exchanges as Amsterdam, Frankfurt and Hong Kong.

More important to investors, however, is the prevailing sense among analysts in Switzerland that the upward momentum will continue. Their confidence,

analysts say, stems from the fact that the market is essentially based on sound domestic fundamentals and does not depend on huge inflows of foreign investment or feverish local speculation. "The market reflects the renewed strength of the Swiss economy," said Robert Bischoff, chief trader at Swiss Bank Corp.

Indeed, the Swiss economy is showing signs of renewed vigor, thanks in part to a weakening of the Swiss franc, which has boosted exports. Phillips & Drew, the London brokerage, expects Switzerland's trade deficit this year to narrow 7.5 billion Swiss francs (\$2.95 billion) from 8.1 billion francs in 1984.

Although that would represent only a slight improvement, expanded sales overseas have already produced benefits for Swiss industry, especially in the vital areas of machine tools and watches. Some companies have returned to profitability, while others have been able to resume or increase dividends to shareholders. Phillips & Drew expects a 15-percent increase in Swiss corporate profits this year and another 10-percent rise in 1986.

Some analysts say the improved earnings picture has not yet been fully recognized by the market and that Swiss stocks are still undervalued. The average price/earning multiple is about 8, compared with almost 11 in New York and 14.5 in Frankfurt. Consequently, even some of the most attractively valued stocks are still trading at low multiples. For example, analysts point out that Nestle is trading at multiples of between 6 and 10, depending on the category of stock, while Ciba Geigy stands at 12.

In addition to economic fundamentals, the Zurich market has also been helped by the continued prosperity of Swiss banks. The banks' profit picture began improving in 1984, and many have begun distributing higher dividends to shareholders this year. Not surprisingly, the market is particularly fond of the big three Swiss banks — Union Bank, Swiss Bank Corp. and Credit Suisse — which are outperforming the market. The insurance sector has also been a market leader. Swiss Reinsurance, Winterthur and Zurich Insurance are currently among

the leaders, analysts said.

Some lesser known Swiss stocks are also seen by analysts as having good potential. They include Biber Holding, a paper producer, Zürcher Ziegelteufen, a major housing developer, and Autophan, a maker of communications equipment.

How long the bull market will last is uncertain. Some analysts say share prices could be pushed even higher if foreign investors decide to participate in the rally. Zurich brokers report a growing interest among foreign investors, both individual and institutional. In addition to Zurich's market performance, they say investors are also attracted to Swiss stocks as a hedge against a further decline in the dollar.

Nicholas J. Baer, president of the Zurich exchange, points out that the total capitalization of the market is only about 3 percent of the New York Stock Exchange. Therefore, even relatively small sums of foreign investment could lever the market to new heights, he says.

SOMETHING DIFFERENT

A Vibrant Market for 'Art of the West'

By Betty A. Marton

IN just over a decade, cowboys and Indians have become big business in the world of American art. Although "cowboy art," or, as it is more formally known, "art of the West," is not widely collected outside the United States, a strong domestic following has driven prices sharply higher in recent years.

Not too long ago, the vibrant, idealistic scenes of the Old West were dismissed by many experts as insignificant works, hardly worth a look by serious collectors. This disdain can partly be explained by the art form's humble beginnings — it first gained prominence at the turn of the century as illustrations in *Collier's*, *Harper's* and *Scrubie's* magazines.

Since then, the reality of the marketplace has considerably softened critical opinion. Demand for paintings and sculpture depicting Western scenes began growing in the 1960's as new oil money from Western states poured into galleries featuring Western artists. Indeed, to this day, the bulk of public and private collections of cowboy art are housed west of the Mississippi.

Prices were spurred to new heights by the rapid inflation of the late 1970's. In 1979, an oil by Frederic Remington, perhaps the best known chronicler of Western life in the second half of the 19th century, became the first of its genre to break the \$1-million mark. More recently, works by Remington reportedly have sold for more than \$3 million.

According to Michael Frost, an owner of the J.N. Bartfield Galleries in New York, which sold that first landmark painting, today's \$1-million Remington, or a comparable work by his fellow classic artist, Charles Russell, would have sold for \$35,000 to \$50,000 just 20 years ago. The best paintings by other classic Western artists from the turn of the century, such as Frank Tenney Johnson, Olaf Seltzer and Edward Borein, can today command over \$300,000.

And Henry Farny, known for his gouache paintings of Indians driving against raw and powerful landscapes, is "one of the most expensive artists per square inch," Mr. Frost says. A Farny gouache can sell today for \$500,000, twice what it would fetch in 1975.

Demand has also grown apace for the cast bronze sculpture coming to the era: Works by Remington or A.P. Proctor have more than tripled in price since 1975.



Although current prices have leveled off or, in some cases, fallen, the market for Western art remains lively. In auctions last spring at Sotheby's and Christie's, the two largest international auction houses, prices paid for Western art achieved and in many cases, exceeded their estimated worth.

Jay Cantor, director of American Painting at Christie's, estimates that about half of every 100 American paintings sold for prices in excess of \$300,000 have Western subjects.

Despite such popularity, however, Western art remains a tricky market for collectors. In general, experts say a painting that depicts a cowboy or an Indian in a Western scene will fetch a higher price than a landscape. But they caution that many buyers are sticklers for

accuracy, from the breed of horse a rancher could be riding to the kinds of beads and feathers on an Indian costume. Similar criteria

are applied to sculpture. According to experts, this dimension of Western art stems in part from its journalistic origins.

"It's a very complicated, very literal market," acknowledged Mr. Cantor. "Some buyers look for a Plains Indian as opposed to a Sioux or a Comanche. There's a great deal of regional appeal."

More difficult for investors to determine are such artistic determinants as style, technique and medium, and the relative quality of works by the same artist. Individuals may have to depend on an expert to track recent auction performances of works by a particular artist to gauge the potential for appreciation.

There are many schools of artists who fall into the Western-art category. Romanticists, such as Albert Bierstadt and Thomas Moran, departed from peoples and pictorial realism to paint expansive, intangible panoramas of subjects like Yosemite National Park or Great Plains plateaus. Major works by these and earlier 19th-century artists, including Alfred Jacob Miller and George Catlin, sell for up to \$600,000. A small, early Moran watercolor sold at Christie's last auction for \$120,000.

Not surprisingly, the success of Western art has been matched by a growing number of "Western" artists. There are an estimated 5,000 contemporary Western artists working today.

From their still evolving ranks, an elite few can command prices of \$100,000 and more. They include William Acheson, known for his photorealist still lifes of period artifacts, and Tom Lovell, who paints of Western scenes based on extensive research. And artists such as Howard Terpning, John Clymer and Frank McCarthy capture on canvas today's still rugged world of cowboy camps and oil rigs.

There can be no doubt that the anticipated value of the U.S. dollar is a key factor in any international investment strategy today. The big question is: Where will the dollar go from here?

The press is not necessarily the best place to look for an answer. And judging from past predictions one could almost say that when experts are unanimous about future dollar exchange rate trends, it is not unlikely that the currency will move in precisely the opposite direction.

There appears to be some confusion as to the sources of the dollar's current strength. The significance of interest rate differentials has perhaps been over-emphasized.

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Bonds Rally

Bond Prices

Johnson (one)

New Eurobond Issues

Compiled by Nicole Baruch

Issuer	Amount (millions)	Mot.	Coup. %	Price	Price and week	Terms
FLOATING RATE NOTES						
BAI	\$100	1997	1/4	100	—	Over 6-month Libor. Callable at par after 1988 and redeemable at par after 1992 and 1995. Fees 50%. Denominations \$10,000.
Banco di Napoli Int'l	\$150	1997	1/16	100	99.50	Over 6-month Libor. Callable at par after 1996. Fees 0.39%. Denominations \$10,000.
Bergen Bank	\$75	1997	1/4	100	99.15	Over 6-month Libid. set monthly, minimum 120%. Callable at par after 1995. Fees 0.39%. Denominations \$5,000 and \$25,000.
Korea Exchange Bank	\$150	1995	1/4	100	99.88	Over 6-month Libor. Callable at par in 1990. Redemptions of par after 1990 and 1992. Fees 10%. Denominations \$50,000.
Yokohama Asia	\$100	1997	3/4	100	99.10	Over 3-month Libid. minimum 120%. Noncallable. Fees 0.75%. Denominations \$10,000.
FIXED-COUPON						
Associated Corp of North America	\$100	1992	10 1/4	100	98.12	Callable at 101 after 1991.
Chugoku Electric Power	\$50	1992	10	101	99.25	Noncallable.
Citicorp	\$200	1995	10%	100	98.12	Callable at par after 1990.
European Community	\$350	1994	9 1/4	99.45	98.45	Callable at 102 after 1988.
Kyowa Finance	\$100	1992	10 1/4	100%	98.75	Noncallable.
Met Life Funding	\$150	1992	9 1/4	100	97.25	Callable at 101 after 1990.
SBC Finance	\$100	1995	10	100	99.32	Noncallable.
State Bank of South Australia	\$100	1992	10 1/4	100	98.88	Noncallable.
WestLB Finance N.V.	\$100	1992	10 1/4	100	98.00	Noncallable.
World Bank	\$300	1995	10%	99 1/2	98.38	Noncallable.
Export Development Corp.	DM150	1993	7 1/2	100	—	Redemption value is \$65 million, or \$1,100 for each DM1,000.
World Bank	DM600	1995	7	99 1/2	—	Noncallable.
CCF	ECU85	1995	9 1/4	100	99.62	Callable at 101 1/4 in 1992.
Dai-ichi Kanko	ECU40	1992	8 1/2	100%	—	Noncallable.
SAS	ECU100	1995	9	100	98.87	
Walt Disney Productions	ECU80	1995	9 1/4	100 1/4	100.63	Noncallable. Sinking fund to start in 1991 to produce an 8% average rate.
United Technologies Corp.	dt100	1990	7	100	—	Noncallable, private placement.
ANZ Banking Group	Aus\$70	1990	12 1/4	100%	—	Noncallable.
Cooperative Bulk Handling	Aus\$25	1992	13 1/2	100	—	Noncallable.
CBA Finance	Aus\$50	1991	13 1/4	100%	—	Noncallable.
New South Wales Treasury Corp.	Aus\$75	1992	12 1/2	100%	—	Noncallable.
SBC Australia	Aus\$14	1990	12 1/4	100	—	Noncallable.
South Australian Government Financing Authority	Aus\$50	1991	12 1/4	100%	—	Noncallable.
Toronto Dominion Bank	NZ\$40	1988	16 1/4	100	—	Noncallable.
EQUITY-LINKED						
Mitsubishi Bank	\$100	2000	open	100	107.00	Coupon indicated at 3%. Noncallable. Convertible at an expected 5% premium. Terms to be set July 9.
Sumitomo Bank	\$120	2000	open	100	107.25	Coupon indicated at 2%. Callable at 103 in 1992. Convertible at an expected 5% premium. Terms to be set July 11.
Trio-Kenwood	\$35	1995	3 1/4	100	97.00	Callable at 104 in 1988. Convertible at 767 yen per share and at 249.10 yen per dollar.
Compagnie Générale des Etablissements Michelin	Fr500	2000	open	100	—	Coupon indicated at 7.75%. Redeemable at par in 1990 for a 104-108% yield. Convertible at an expected 20-25%. Terms to be set July 8.

Bonds Rally on Interest Rate Hopes

(Continued from Page 13)

bonds, which were offered at a price of 99.50, finished the week at 98.38.

Investor demand for the \$100-million Swiss Bank Corp. offering also was strong.

The 10-year bonds, which were priced at par, carry a 10-percent coupon. They finished the week at a price of 99.32.

Dealers said that two ECU-denominated issues were well received, as were a number of offerings from various Australian entities, who have been tapping the Euromarkets heavily in recent months.

Walt Disney Productions and Scandinavian Air Lines were the two ECU issuers last week.

Of the two, the more successful

was the 80-million ECU offering from Disney. The 10-year issue, which carries a 9 1/2-percent coupon, was priced at par and by the end of the week was trading at a premium of 100.63. Goldman Sachs acted as lead manager for the underwriting.

The 100-million ECU offering from SAS was priced at par and carries a coupon of 9 percent. The issue, which was launched by Crédit Lyonnais, closed the week at a price of 98.87.

Five major floating-rate issues were priced in the market last week, including a \$100-million note offering from the Banque Arabe et Internationale d'Investissement.

The issue, which matures in 1997, carries a coupon of 4 1/4 percent over the six-month London interbank rate and was priced at par. The notes are callable at par after 1988, and redeemable at par after 1992 and 1995.

Mr. Murphy said that so far this year, more than \$1 billion Australian dollar bonds had been offered for sale, more supply than had been offered in the previous five years.

Included in last week's offerings were a 100-million Australian-dollar, 7-year offering from the State Bank of South Australia. The bonds, which carry a 10 1/4-percent coupon, were priced at par. They closed the week at a price of 98.88.

Five major floating-rate issues were priced in the market last week, including a \$100-million note offering from the Banque Arabe et Internationale d'Investissement.

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Several economists predicted Friday that the Federal Reserve would take a neutral role in setting monetary policy, not trying to push interest rates in either direction.

"From now on, credit demand, not Fed policy, will determine the direction of interest rates," said Irwin L. Kellner, chief economist of the Manufacturers Hanover Trust Co.

In contrast to the \$2.6-billion increase reported Friday in the M-1 — the measure of the money supply that consists of checking accounts in banks and savings institutions and currency in the hands of the public — most market analysts had been expecting anywhere from no change to an increase of \$1 billion.

Despite the late-afternoon downpour, the government's bellwether 30-year bond closed at a price of 108 29/32, still a point and a half above Wednesday's close. The markets were closed Thursday because of the Fourth of July holiday in the United States. The yield on the bond closed at 10.27 percent, down from 10.55 percent on Wednesday.

The yield on three-month government bills remained unchanged from earlier levels at 6.76 percent; the six-month bill at 6.81 percent, and the one-year bill at 6.91 percent. All were down about a quarter of a percentage point from Wednesday's close.

Bond Prices Up on Labor Figures

By Robert A. Bennett
New York Times Service

NEW YORK — U.S. government figures showing weakness in the U.S. labor market and an unexpected upturn in the money supply fueled a rally in the bond market, but some analysts said the full impact will not be felt until this week.

The Federal Reserve System reported Friday that the money supply increased by \$2.6 billion in the week ended June 24, an increase well above market expectations.

But the credit markets gave more credence to the U.S. employment statistics reported earlier Friday, and, despite a late-afternoon dip, bond prices closed a point and a half higher than on Wednesday, the previous trading day.

Stocks also responded favorably to the employment data, in the hope that interest rates would fall.

Some economists said that the markets had not yet fully reacted. Maria F. Ramirez, first vice president and money market economist at Drexel Burnham, attributed the

market's subdued reaction in part to the holiday weekend. "A lot of people went home early and there wasn't much activity," she said. "Monday will tell whether the gains will be sustained."

Concerns about weakness in the economy were fed by Friday's U.S. Labor Department report that nonfarm payroll employment grew by only 80,000 in June, and that the May increase was revised downward to 266,000 from 345,000.

Generally when the Federal Reserve is generous in creating money as a means to stimulate business activity

and to create jobs. That usually causes interest rates to decline.

But because of the recent rapid growth in the money supply, underscored by Friday's report, analysts said that the Fed would be restrained in creating money. This restraint stems from the widespread belief that rapid increases in the money supply cause inflation.

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Jeffries & Co., a brokerage firm that specializes in over-the-counter trades, handled the transaction on Friday. The stock was purchased at \$45 a share, which was about \$1.75 a share above the market price at the time.

Mr. Posner also agreed that he and his companies would refrain for 10 years from acquiring any common stock in Johnson Controls, based in Milwaukee. Mr. Posner controls many companies, including Sharon Steel Corp. and Evans Products Co., both of which have recently reported financial difficulties.

The price of Johnson Controls' stock on Friday rose 75 cents, to \$44, on the New York Stock Exchange. The company said it planned to retire the repurchased shares, and analysts said this had caused the rise in the stock price.

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Phillips Fights to Contain Gradual Sinking of North Sea Rigs

By Barnaby J. Feder
New York Times Service

STAVANGER, Norway — Last November, just before executives at the Oklahoma headquarters of Phillips Petroleum Co. became preoccupied with fighting off a take-over attempt led by T. Boone Pickens, they got some bad news from company officials responsible for operating the Ekofisk field in the North Sea southwest of here.

Ekofisk Center, the 250,000-ton concrete platform that is nearly twice as tall as the Statue of Liberty and is the operational heart of the field, seemed to be sinking. Further investigation confirmed that the seabed was subsiding as the reservoir below it were depleted, pulling the center and nearby platforms ever closer to the predicted reach of fresh waves.

Subsidence is a common problem for oil companies exploiting shallow fields, but nothing had pre-

pared Phillips and its partners for such a development at Ekofisk, where oil and gas is produced from two reservoirs nearly two miles (3.2 kilometers) deep.

No one knows what the final cost of handling Ekofisk's subsidence problems will be, or exactly what alterations to production the solutions might entail. That is making oil industry analysts, Ekofisk customers, and the Norwegian government nervous.

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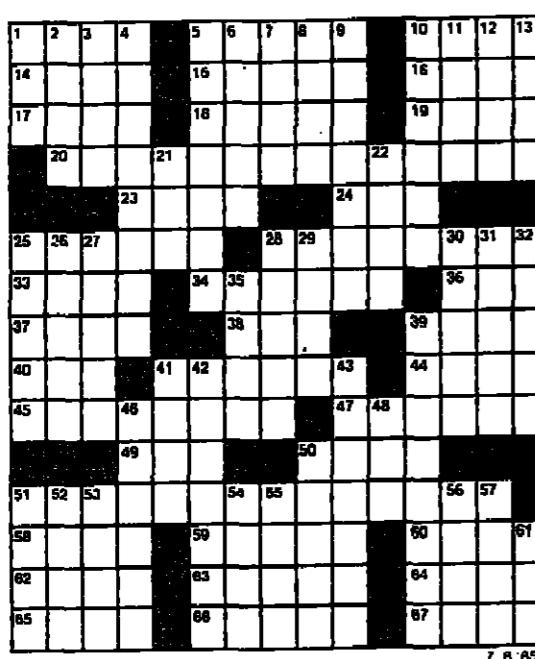
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No one knows what the final cost of handling



PEANUTS



BOOKS

QUEEN VICTORIA IN HER LETTERS AND JOURNALS

Edited by Christopher Hibbert. 374 pages. \$25. Viking, 40 W. 23d Street, New York, N.Y. 10010.

Reviewed by Richard D. Altick

We well knew that his sovereign prided herself on being a published writer, her "Leaves From the Journal of Our Life in the Highlands" having been a best seller in 1868. But the great bulk of what Queen Victoria wrote remained unpublished until after her death. Her paperwork, both personal and official, has been calculated to amount to some 60 million words, enough to fill 700 volumes. Abundant selections from her journals and letters are available in two dozen thick volumes. But few readers are prepared to slog through them, so Christopher Hibbert's judicious selection, enriched by some previously unpublished material, fills a real need.

Victoria wrote as she spoke; she was incapable of diplomatic evasiveness or ambiguity, and the self-portrait she unconsciously painted is a true likeness, exhibiting, as Hibbert observes, "her simplicity and practicality, her sound common sense, her deep capacity for affection, the undeviating and sometimes highly uncomfortable regard for truth, the stubborn impetuosity protecting an inner security and awareness of her own limitations."

One more element might be added, the subject that always elicited the queen's most extravagant language: her adoration of "angelic" and "perfect" husband in the flesh and the dedication of her long widowhood to his memory. In her womanly devotion to Albert, the prince consort, she was providentially suited to embody the domesticity that ruled her age's ethos, even though her protracted, mournful obsession with the prince sometimes tried the patience of her subjects. What the public did not know was her lack of enthusiasm for the institution of marriage insofar as it was subservient to dynastic needs ("hate" and "detest" were among the words she used in this connection). The mother of numerous children, she was outspoken in her dislike of pregnancy, both the process and the products, because she found to be uninteresting objects, though her affection for her own developed as they entered childhood.

These prejudices, so at odds with conventional Victorians, appear at large in Hibbert's selection, along with the queen's often difficult relationship with her grown sons and

daughters. Her correspondence with her oldest and favorite daughter, Vickie, after she became crown princess of Prussia was laced with an uncomfortable amount of fussing and grainy advice and reproach, and in later years we see the queen repeatedly throwing cold water on Vickie's proposals that she and her family come to England to visit.

More important, Victoria's private papers record in detail the ironic course of her relations with the Prince of Wales. As a young man, "Bertie" was a thoroughly unsatisfactory royal son and heir. During most of his youth his mother simply did not like him; she did not even like his looks. To make matters worse, she implicitly blamed him for the death of his father, whose resistance to typhoid fever was weakened by the energy and emotion he spent in anxious attempts at damage control following Bertie's involvement with a young actress at the Grenadier Guards' camp near Dublin. Meanwhile, the queen concentrated her affection on the "daring," "beautiful" Prince Alfred, Duke of Edinburgh. But in time, the brothers exchanged places in the royal esteem, though Bertie's mother took good care to keep his hands off the machinery of government.

Even if she had had confidence in his abilities, Victoria probably would not have shared any of her power with him. She knew her constitutional prerogatives, and she zealously protected and exercised them. From Buckingham Palace, Balmoral and Osborne streamed memorandums, cast always in the regal third person, that conveyed her opinions and wishes. The positions she took on such thorny issues as the Irish question may not have been the product of deep thought, but she clung to them with the unshakable conviction of a Margaret Thatcher. Her relations with her advisers and ministers were governed as much by personalities as principles. Her first prime minister, the tactful and world-wise Lord Melbourne, was as beloved and trusted a father figure as another early confidant, her uncle Leopold, king of the Belgians. By contrast, she thought Gladstone half-mad. But despite all the burdens of office and her often expressed wish that she could join Prince Albert in the heaven he adored, her profound sense of duty lent her a residual toughness.

What if, despite the labors of the formidable Baroness Lehzen to prepare the teen-age princess to become a queen, a vastly different woman had come to the throne in 1839—a frivolous, fluffy-brained nullity no better qualified to preside over a great empire than one of the inspired models of femininity whose engraved portraits embellished the silk-bound coffee-table albums of the time? At that moment, the monarchy, lately ill-served by the dissolute George IV, was in danger of discredit if not actual collapse. Without Victoria's confident, assertive presence, would the center of the British political system have held? In the event, Britain was spared the political turmoil that rocked its continental neighbors in the course of the century, and its economic prosperity was matched by a generally solid and peaceful social order.

Richard D. Altick has written on many aspects of life and literature in Victorian England. He did this review for *The Washington Post*.

Bronze Age Structure Found

The Associated Press

LONDON—Remains of a wooden Bronze Age structure about 3,000 years old have been found, unusually well-preserved, in a peat bog under a Roman road near Peterborough in eastern England.

Solution to Friday's Puzzle

ASP	OSTLER
INERT	MARINER
DONOR	RELOCATES
ELOPE	ALATE RAH
SERENADES	ICY
SANCTITY	PRETIE
SHOOS	SOEVER
SPIELS	MILLED
SARTRE	CORIA
OBEYS	POLESTAR
LIC	SHOESHINES
ANE	EYORA
REDPLANET	RIMES
SERENER	STIES
DOMETS	YES

7/6/85

BRIDGE

By Alan Truscott

ON the diagramed deal, many North-South pairs reached three no-trump, often after an opening two no-trump, and were easily defeated by a low spade lead. South had an interesting bidding problem if the bidding began as shown, with a one-diamond opening, a weak jump overall in spades and a negative double.

Three no-trump was often the choice, with the result that North-South failed to make

game with 29 high-card points between them. The three no-trump bid would be more attractive with A-x of spades, which would allow a double, rather than the inflexible K-Q.

Analysts indicated that five diamonds is the only safe game contract. But they did not think enough about four hearts, which is also unattractive and provides a better match-point score. On any lead the declarer can establish diamonds and limit the defense to a spade trick, a diamond and a heart.

North and South were vulnerable.
The bidding:
South: 1⁰ 2⁰ 3⁰ 4⁰
West: 1⁰ 2⁰ 3⁰ 4⁰
East: 1⁰ 2⁰ 3⁰ 4⁰
North: 1⁰ 2⁰ 3⁰ 4⁰
South: West North East
1⁰ 2⁰ 3⁰ 4⁰ Pass Pass Pass
4⁰ Pass Pass Pass
West led the spade ace.

North

Q 6 5

Q 10 7 5

Q 7

Q 8 8 4

Q 9 4

Q 10 4 2

Q 5 3 2

Q 10 8 2

Q 10 8 1

Q 10 8 2

Q 10

